

1                                    AMENDMENT TO HOUSE BILL 863

2            AMENDMENT NO. \_\_\_\_\_. Amend House Bill 863 by replacing  
3 everything after the enacting clause with the following:

4            "Section 5. The Illinois Income Tax Act is amended by  
5 changing Section 203 as follows:

6            (35 ILCS 5/203) (from Ch. 120, par. 2-203)  
7            Sec. 203. Base income defined.

8            (a) Individuals.

9                    (1) In general. In the case of an individual, base  
10 income means an amount equal to the taxpayer's adjusted  
11 gross income for the taxable year as modified by  
12 paragraph (2).

13                    (2) Modifications. The adjusted gross income  
14 referred to in paragraph (1) shall be modified by adding  
15 thereto the sum of the following amounts:

16                            (A) An amount equal to all amounts paid or  
17 accrued to the taxpayer as interest or dividends  
18 during the taxable year to the extent excluded from  
19 gross income in the computation of adjusted gross  
20 income, except stock dividends of qualified public  
21 utilities described in Section 305(e) of the  
22 Internal Revenue Code;

1           (B) An amount equal to the amount of tax  
2 imposed by this Act to the extent deducted from  
3 gross income in the computation of adjusted gross  
4 income for the taxable year;

5           (C) An amount equal to the amount received  
6 during the taxable year as a recovery or refund of  
7 real property taxes paid with respect to the  
8 taxpayer's principal residence under the Revenue Act  
9 of 1939 and for which a deduction was previously  
10 taken under subparagraph (L) of this paragraph (2)  
11 prior to July 1, 1991, the retrospective application  
12 date of Article 4 of Public Act 87-17. In the case  
13 of multi-unit or multi-use structures and farm  
14 dwellings, the taxes on the taxpayer's principal  
15 residence shall be that portion of the total taxes  
16 for the entire property which is attributable to  
17 such principal residence;

18           (D) An amount equal to the amount of the  
19 capital gain deduction allowable under the Internal  
20 Revenue Code, to the extent deducted from gross  
21 income in the computation of adjusted gross income;

22           (D-5) An amount, to the extent not included in  
23 adjusted gross income, equal to the amount of money  
24 withdrawn by the taxpayer in the taxable year from a  
25 medical care savings account and the interest earned  
26 on the account in the taxable year of a withdrawal  
27 pursuant to subsection (b) of Section 20 of the  
28 Medical Care Savings Account Act or subsection (b)  
29 of Section 20 of the Medical Care Savings Account  
30 Act of 2000;

31           (D-10) For taxable years ending after December  
32 31, 1997, an amount equal to any eligible  
33 remediation costs that the individual deducted in  
34 computing adjusted gross income and for which the

1 individual claims a credit under subsection (l) of  
2 Section 201;

3 (D-15) For taxable years ending after December  
4 31, 2000 ~~2001-and-thereafter~~, an amount equal to the  
5 bonus depreciation deduction (30% or 50% of the  
6 adjusted basis of the qualified property) taken on  
7 the taxpayer's federal income tax return for the  
8 taxable year under subsection (k) of Section 168 of  
9 the Internal Revenue Code with respect to any  
10 property and, for taxable years ending on or after  
11 December 31, 2003, an amount equal to any deduction  
12 taken for the taxable year under Section 179 of the  
13 Internal Revenue Code with respect to any property;  
14 and

15 (D-16) If the taxpayer reports a capital gain  
16 or loss on the taxpayer's federal income tax return  
17 for the taxable year based on a sale or transfer of  
18 property for which the taxpayer was required in any  
19 taxable year to make an addition modification under  
20 subparagraph (D-15), then an amount equal to the  
21 aggregate amount of the deductions taken in all  
22 taxable years under subparagraph (Z) or (Z-1) with  
23 respect to that property.;

24 The taxpayer is required to make the addition  
25 modification under this subparagraph only once with  
26 respect to any one piece of property; and

27 (D-20) ~~(D-15)~~ For taxable years beginning on  
28 or after January 1, 2002, in the case of a  
29 distribution from a qualified tuition program under  
30 Section 529 of the Internal Revenue Code, other than  
31 (i) a distribution from a College Savings Pool  
32 created under Section 16.5 of the State Treasurer  
33 Act or (ii) a distribution from the Illinois Prepaid  
34 Tuition Trust Fund, an amount equal to the amount

1 excluded from gross income under Section  
2 529(c)(3)(B);

3 and by deducting from the total so obtained the sum of  
4 the following amounts:

5 (E) For taxable years ending before December  
6 31, 2001, any amount included in such total in  
7 respect of any compensation (including but not  
8 limited to any compensation paid or accrued to a  
9 serviceman while a prisoner of war or missing in  
10 action) paid to a resident by reason of being on  
11 active duty in the Armed Forces of the United States  
12 and in respect of any compensation paid or accrued  
13 to a resident who as a governmental employee was a  
14 prisoner of war or missing in action, and in respect  
15 of any compensation paid to a resident in 1971 or  
16 thereafter for annual training performed pursuant to  
17 Sections 502 and 503, Title 32, United States Code  
18 as a member of the Illinois National Guard. For  
19 taxable years ending on or after December 31, 2001,  
20 any amount included in such total in respect of any  
21 compensation (including but not limited to any  
22 compensation paid or accrued to a serviceman while a  
23 prisoner of war or missing in action) paid to a  
24 resident by reason of being a member of any  
25 component of the Armed Forces of the United States  
26 and in respect of any compensation paid or accrued  
27 to a resident who as a governmental employee was a  
28 prisoner of war or missing in action, and in respect  
29 of any compensation paid to a resident in 2001 or  
30 thereafter by reason of being a member of the  
31 Illinois National Guard. The provisions of this  
32 amendatory Act of the 92nd General Assembly are  
33 exempt from the provisions of Section 250;

34 (F) An amount equal to all amounts included in

1 such total pursuant to the provisions of Sections  
2 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and  
3 408 of the Internal Revenue Code, or included in  
4 such total as distributions under the provisions of  
5 any retirement or disability plan for employees of  
6 any governmental agency or unit, or retirement  
7 payments to retired partners, which payments are  
8 excluded in computing net earnings from self  
9 employment by Section 1402 of the Internal Revenue  
10 Code and regulations adopted pursuant thereto;

11 (G) The valuation limitation amount;

12 (H) An amount equal to the amount of any tax  
13 imposed by this Act which was refunded to the  
14 taxpayer and included in such total for the taxable  
15 year;

16 (I) An amount equal to all amounts included in  
17 such total pursuant to the provisions of Section 111  
18 of the Internal Revenue Code as a recovery of items  
19 previously deducted from adjusted gross income in  
20 the computation of taxable income;

21 (J) An amount equal to those dividends  
22 included in such total which were paid by a  
23 corporation which conducts business operations in an  
24 Enterprise Zone or zones created under the Illinois  
25 Enterprise Zone Act, and conducts substantially all  
26 of its operations in an Enterprise Zone or zones;

27 (K) An amount equal to those dividends  
28 included in such total that were paid by a  
29 corporation that conducts business operations in a  
30 federally designated Foreign Trade Zone or Sub-Zone  
31 and that is designated a High Impact Business  
32 located in Illinois; provided that dividends  
33 eligible for the deduction provided in subparagraph  
34 (J) of paragraph (2) of this subsection shall not be

1 eligible for the deduction provided under this  
2 subparagraph (K);

3 (L) For taxable years ending after December  
4 31, 1983, an amount equal to all social security  
5 benefits and railroad retirement benefits included  
6 in such total pursuant to Sections 72(r) and 86 of  
7 the Internal Revenue Code;

8 (M) With the exception of any amounts  
9 subtracted under subparagraph (N), an amount equal  
10 to the sum of all amounts disallowed as deductions  
11 by (i) Sections 171(a) (2), and 265(2) of the  
12 Internal Revenue Code of 1954, as now or hereafter  
13 amended, and all amounts of expenses allocable to  
14 interest and disallowed as deductions by Section  
15 265(1) of the Internal Revenue Code of 1954, as now  
16 or hereafter amended; and (ii) for taxable years  
17 ending on or after August 13, 1999, Sections  
18 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
19 Internal Revenue Code; the provisions of this  
20 subparagraph are exempt from the provisions of  
21 Section 250;

22 (N) An amount equal to all amounts included in  
23 such total which are exempt from taxation by this  
24 State either by reason of its statutes or  
25 Constitution or by reason of the Constitution,  
26 treaties or statutes of the United States; provided  
27 that, in the case of any statute of this State that  
28 exempts income derived from bonds or other  
29 obligations from the tax imposed under this Act, the  
30 amount exempted shall be the interest net of bond  
31 premium amortization;

32 (O) An amount equal to any contribution made  
33 to a job training project established pursuant to  
34 the Tax Increment Allocation Redevelopment Act;

1           (P) An amount equal to the amount of the  
2 deduction used to compute the federal income tax  
3 credit for restoration of substantial amounts held  
4 under claim of right for the taxable year pursuant  
5 to Section 1341 of the Internal Revenue Code of  
6 1986;

7           (Q) An amount equal to any amounts included in  
8 such total, received by the taxpayer as an  
9 acceleration in the payment of life, endowment or  
10 annuity benefits in advance of the time they would  
11 otherwise be payable as an indemnity for a terminal  
12 illness;

13           (R) An amount equal to the amount of any  
14 federal or State bonus paid to veterans of the  
15 Persian Gulf War;

16           (S) An amount, to the extent included in  
17 adjusted gross income, equal to the amount of a  
18 contribution made in the taxable year on behalf of  
19 the taxpayer to a medical care savings account  
20 established under the Medical Care Savings Account  
21 Act or the Medical Care Savings Account Act of 2000  
22 to the extent the contribution is accepted by the  
23 account administrator as provided in that Act;

24           (T) An amount, to the extent included in  
25 adjusted gross income, equal to the amount of  
26 interest earned in the taxable year on a medical  
27 care savings account established under the Medical  
28 Care Savings Account Act or the Medical Care Savings  
29 Account Act of 2000 on behalf of the taxpayer, other  
30 than interest added pursuant to item (D-5) of this  
31 paragraph (2);

32           (U) For one taxable year beginning on or after  
33 January 1, 1994, an amount equal to the total amount  
34 of tax imposed and paid under subsections (a) and

1 (b) of Section 201 of this Act on grant amounts  
2 received by the taxpayer under the Nursing Home  
3 Grant Assistance Act during the taxpayer's taxable  
4 years 1992 and 1993;

5 (V) Beginning with tax years ending on or  
6 after December 31, 1995 and ending with tax years  
7 ending on or before December 31, 2004, an amount  
8 equal to the amount paid by a taxpayer who is a  
9 self-employed taxpayer, a partner of a partnership,  
10 or a shareholder in a Subchapter S corporation for  
11 health insurance or long-term care insurance for  
12 that taxpayer or that taxpayer's spouse or  
13 dependents, to the extent that the amount paid for  
14 that health insurance or long-term care insurance  
15 may be deducted under Section 213 of the Internal  
16 Revenue Code of 1986, has not been deducted on the  
17 federal income tax return of the taxpayer, and does  
18 not exceed the taxable income attributable to that  
19 taxpayer's income, self-employment income, or  
20 Subchapter S corporation income; except that no  
21 deduction shall be allowed under this item (V) if  
22 the taxpayer is eligible to participate in any  
23 health insurance or long-term care insurance plan of  
24 an employer of the taxpayer or the taxpayer's  
25 spouse. The amount of the health insurance and  
26 long-term care insurance subtracted under this item  
27 (V) shall be determined by multiplying total health  
28 insurance and long-term care insurance premiums paid  
29 by the taxpayer times a number that represents the  
30 fractional percentage of eligible medical expenses  
31 under Section 213 of the Internal Revenue Code of  
32 1986 not actually deducted on the taxpayer's federal  
33 income tax return;

34 (W) For taxable years beginning on or after

1 January 1, 1998, all amounts included in the  
2 taxpayer's federal gross income in the taxable year  
3 from amounts converted from a regular IRA to a Roth  
4 IRA. This paragraph is exempt from the provisions of  
5 Section 250;

6 (X) For taxable year 1999 and thereafter, an  
7 amount equal to the amount of any (i) distributions,  
8 to the extent includible in gross income for federal  
9 income tax purposes, made to the taxpayer because of  
10 his or her status as a victim of persecution for  
11 racial or religious reasons by Nazi Germany or any  
12 other Axis regime or as an heir of the victim and  
13 (ii) items of income, to the extent includible in  
14 gross income for federal income tax purposes,  
15 attributable to, derived from or in any way related  
16 to assets stolen from, hidden from, or otherwise  
17 lost to a victim of persecution for racial or  
18 religious reasons by Nazi Germany or any other Axis  
19 regime immediately prior to, during, and immediately  
20 after World War II, including, but not limited to,  
21 interest on the proceeds receivable as insurance  
22 under policies issued to a victim of persecution for  
23 racial or religious reasons by Nazi Germany or any  
24 other Axis regime by European insurance companies  
25 immediately prior to and during World War II;  
26 provided, however, this subtraction from federal  
27 adjusted gross income does not apply to assets  
28 acquired with such assets or with the proceeds from  
29 the sale of such assets; provided, further, this  
30 paragraph shall only apply to a taxpayer who was the  
31 first recipient of such assets after their recovery  
32 and who is a victim of persecution for racial or  
33 religious reasons by Nazi Germany or any other Axis  
34 regime or as an heir of the victim. The amount of

1 and the eligibility for any public assistance,  
 2 benefit, or similar entitlement is not affected by  
 3 the inclusion of items (i) and (ii) of this  
 4 paragraph in gross income for federal income tax  
 5 purposes. This paragraph is exempt from the  
 6 provisions of Section 250;

7 (Y) For taxable years beginning on or after  
 8 January 1, 2002, moneys contributed in the taxable  
 9 year to a College Savings Pool account under Section  
 10 16.5 of the State Treasurer Act, except that amounts  
 11 excluded from gross income under Section  
 12 529(c)(3)(C)(i) of the Internal Revenue Code shall  
 13 not be considered moneys contributed under this  
 14 subparagraph (Y). This subparagraph (Y) is exempt  
 15 from the provisions of Section 250;

16 (Z) For each taxable~~---years---~~2001~~----~~and  
 17 ~~thereafter,~~~~7--for--the~~ taxable year ending prior to  
 18 December 31, 2003 in which the bonus depreciation  
 19 deduction (30% or 50% of the adjusted basis of the  
 20 qualified property) is taken on the taxpayer's  
 21 federal income tax return under subsection (k) of  
 22 Section 168 of the Internal Revenue Code and for  
 23 each subsequent ~~applicable~~ taxable year ending prior  
 24 to December 31, 2003 thereafter, an amount equal to  
 25 "x", where:

26 (1) "y" equals the amount of the  
 27 depreciation deduction taken for the taxable  
 28 year on the taxpayer's federal income tax  
 29 return on property for which the bonus  
 30 depreciation deduction (30% or 50% of the  
 31 adjusted basis of the qualified property) was  
 32 taken in any year under subsection (k) of  
 33 Section 168 of the Internal Revenue Code, but  
 34 not including the bonus depreciation deduction;

1 and

2 (2) for property on which a bonus  
3 depreciation deduction of 30% of the adjusted  
4 basis was taken, "x" equals "y" multiplied by  
5 30 and then divided by 70 (or "y" multiplied by  
6 0.429) and, for property on which a bonus  
7 depreciation deduction of 50% of the adjusted  
8 basis was taken, "x" equals "y" multiplied by  
9 1.0.

10 The aggregate amount deducted under this  
11 subparagraph in all taxable years for any one piece  
12 of property may not exceed the amount of the bonus  
13 depreciation deduction (30% or 50% of the adjusted  
14 basis of the qualified property) taken on that  
15 property on the taxpayer's federal income tax return  
16 under subsection (k) of Section 168 of the Internal  
17 Revenue Code; and

18 (Z-1) For taxable years ending on or after  
19 December 31, 2003, an amount equal to the excess, if  
20 any, of the federal adjusted gross income properly  
21 reportable by the taxpayer for the taxable year,  
22 plus any addition required to be made under  
23 subparagraph (D-15) for the taxable year, over the  
24 adjusted gross income that would have been  
25 reportable by the taxpayer if the taxpayer:

26 (1) had made the election in subsection  
27 (k)(2)(C)(iii) of Section 168 of the Internal  
28 Revenue Code for all property qualifying for  
29 bonus depreciation (30% or 50% of the adjusted  
30 basis of the qualifying property) for all  
31 taxable years; and

32 (2) had made no election under Section  
33 179(a) of the Internal Revenue Code for any  
34 taxable year ending on or after December 31,

1           2003 to treat the cost of any property as an  
2           expense.

3           This subparagraph (Z-1) is exempt from the  
4           provisions of Section 250;

5           (AA) If the taxpayer reports a capital gain or  
6           loss on the taxpayer's federal income tax return for  
7           the taxable year based on a sale or transfer of  
8           property for which the taxpayer was required in any  
9           taxable year to make an addition modification under  
10          subparagraph (D-15), then an amount equal to that  
11          addition modification.

12          The taxpayer is allowed to take the deduction  
13          under this subparagraph only once with respect to  
14          any one piece of property; and

15          (BB) (Z) Any amount included in adjusted gross  
16          income, other than salary, received by a driver in a  
17          ridesharing arrangement using a motor vehicle.

18          (b) Corporations.

19           (1) In general. In the case of a corporation, base  
20           income means an amount equal to the taxpayer's taxable  
21           income for the taxable year as modified by paragraph (2).

22           (2) Modifications. The taxable income referred to  
23           in paragraph (1) shall be modified by adding thereto the  
24           sum of the following amounts:

25           (A) An amount equal to all amounts paid or  
26           accrued to the taxpayer as interest and all  
27           distributions received from regulated investment  
28           companies during the taxable year to the extent  
29           excluded from gross income in the computation of  
30           taxable income;

31           (B) An amount equal to the amount of tax  
32           imposed by this Act to the extent deducted from  
33           gross income in the computation of taxable income  
34           for the taxable year;

1 (C) In the case of a regulated investment  
2 company, an amount equal to the excess of (i) the  
3 net long-term capital gain for the taxable year,  
4 over (ii) the amount of the capital gain dividends  
5 designated as such in accordance with Section  
6 852(b)(3)(C) of the Internal Revenue Code and any  
7 amount designated under Section 852(b)(3)(D) of the  
8 Internal Revenue Code, attributable to the taxable  
9 year (this amendatory Act of 1995 (Public Act 89-89)  
10 is declarative of existing law and is not a new  
11 enactment);

12 (D) The amount of any net operating loss  
13 deduction taken in arriving at taxable income, other  
14 than a net operating loss carried forward from a  
15 taxable year ending prior to December 31, 1986;

16 (E) For taxable years in which a net operating  
17 loss carryback or carryforward from a taxable year  
18 ending prior to December 31, 1986 is an element of  
19 taxable income under paragraph (1) of subsection (e)  
20 or subparagraph (E) of paragraph (2) of subsection  
21 (e), the amount by which addition modifications  
22 other than those provided by this subparagraph (E)  
23 exceeded subtraction modifications in such earlier  
24 taxable year, with the following limitations applied  
25 in the order that they are listed:

26 (i) the addition modification relating to  
27 the net operating loss carried back or forward  
28 to the taxable year from any taxable year  
29 ending prior to December 31, 1986 shall be  
30 reduced by the amount of addition modification  
31 under this subparagraph (E) which related to  
32 that net operating loss and which was taken  
33 into account in calculating the base income of  
34 an earlier taxable year, and

1 (ii) the addition modification relating  
2 to the net operating loss carried back or  
3 forward to the taxable year from any taxable  
4 year ending prior to December 31, 1986 shall  
5 not exceed the amount of such carryback or  
6 carryforward;

7 For taxable years in which there is a net  
8 operating loss carryback or carryforward from more  
9 than one other taxable year ending prior to December  
10 31, 1986, the addition modification provided in this  
11 subparagraph (E) shall be the sum of the amounts  
12 computed independently under the preceding  
13 provisions of this subparagraph (E) for each such  
14 taxable year;

15 (E-5) For taxable years ending after December  
16 31, 1997, an amount equal to any eligible  
17 remediation costs that the corporation deducted in  
18 computing adjusted gross income and for which the  
19 corporation claims a credit under subsection (l) of  
20 Section 201;

21 (E-10) For taxable years ending after December  
22 31, 2000 ~~2001-and-thereafter~~, an amount equal to the  
23 bonus depreciation deduction (30% or 50% of the  
24 adjusted basis of the qualified property) taken on  
25 the taxpayer's federal income tax return for the  
26 taxable year under subsection (k) of Section 168 of  
27 the Internal Revenue Code with respect to any  
28 property and, for taxable years ending on or after  
29 December 31, 2003, an amount equal to any deduction  
30 taken for the taxable year under Section 179 of the  
31 Internal Revenue Code with respect to any property;  
32 and

33 (E-11) If the taxpayer reports a capital gain  
34 or loss on the taxpayer's federal income tax return

1 for the taxable year based on a sale or transfer of  
2 property for which the taxpayer was required in any  
3 taxable year to make an addition modification under  
4 subparagraph (E-10), then an amount equal to the  
5 aggregate amount of the deductions taken in all  
6 taxable years under subparagraph (T) or (T-1) with  
7 respect to that property.;

8 The taxpayer is required to make the addition  
9 modification under this subparagraph only once with  
10 respect to any one piece of property;

11 and by deducting from the total so obtained the sum of  
12 the following amounts:

13 (F) An amount equal to the amount of any tax  
14 imposed by this Act which was refunded to the  
15 taxpayer and included in such total for the taxable  
16 year;

17 (G) An amount equal to any amount included in  
18 such total under Section 78 of the Internal Revenue  
19 Code;

20 (H) In the case of a regulated investment  
21 company, an amount equal to the amount of exempt  
22 interest dividends as defined in subsection (b) (5)  
23 of Section 852 of the Internal Revenue Code, paid to  
24 shareholders for the taxable year;

25 (I) With the exception of any amounts  
26 subtracted under subparagraph (J), an amount equal  
27 to the sum of all amounts disallowed as deductions  
28 by (i) Sections 171(a) (2), and 265(a)(2) and  
29 amounts disallowed as interest expense by Section  
30 291(a)(3) of the Internal Revenue Code, as now or  
31 hereafter amended, and all amounts of expenses  
32 allocable to interest and disallowed as deductions  
33 by Section 265(a)(1) of the Internal Revenue Code,  
34 as now or hereafter amended; and (ii) for taxable

1 years ending on or after August 13, 1999, Sections  
2 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)  
3 of the Internal Revenue Code; the provisions of this  
4 subparagraph are exempt from the provisions of  
5 Section 250;

6 (J) An amount equal to all amounts included in  
7 such total which are exempt from taxation by this  
8 State either by reason of its statutes or  
9 Constitution or by reason of the Constitution,  
10 treaties or statutes of the United States; provided  
11 that, in the case of any statute of this State that  
12 exempts income derived from bonds or other  
13 obligations from the tax imposed under this Act, the  
14 amount exempted shall be the interest net of bond  
15 premium amortization;

16 (K) An amount equal to those dividends  
17 included in such total which were paid by a  
18 corporation which conducts business operations in an  
19 Enterprise Zone or zones created under the Illinois  
20 Enterprise Zone Act and conducts substantially all  
21 of its operations in an Enterprise Zone or zones;

22 (L) An amount equal to those dividends  
23 included in such total that were paid by a  
24 corporation that conducts business operations in a  
25 federally designated Foreign Trade Zone or Sub-Zone  
26 and that is designated a High Impact Business  
27 located in Illinois; provided that dividends  
28 eligible for the deduction provided in subparagraph  
29 (K) of paragraph 2 of this subsection shall not be  
30 eligible for the deduction provided under this  
31 subparagraph (L);

32 (M) For any taxpayer that is a financial  
33 organization within the meaning of Section 304(c) of  
34 this Act, an amount included in such total as

1 interest income from a loan or loans made by such  
2 taxpayer to a borrower, to the extent that such a  
3 loan is secured by property which is eligible for  
4 the Enterprise Zone Investment Credit. To determine  
5 the portion of a loan or loans that is secured by  
6 property eligible for a Section 201(f) investment  
7 credit to the borrower, the entire principal amount  
8 of the loan or loans between the taxpayer and the  
9 borrower should be divided into the basis of the  
10 Section 201(f) investment credit property which  
11 secures the loan or loans, using for this purpose  
12 the original basis of such property on the date that  
13 it was placed in service in the Enterprise Zone.  
14 The subtraction modification available to taxpayer  
15 in any year under this subsection shall be that  
16 portion of the total interest paid by the borrower  
17 with respect to such loan attributable to the  
18 eligible property as calculated under the previous  
19 sentence;

20 (M-1) For any taxpayer that is a financial  
21 organization within the meaning of Section 304(c) of  
22 this Act, an amount included in such total as  
23 interest income from a loan or loans made by such  
24 taxpayer to a borrower, to the extent that such a  
25 loan is secured by property which is eligible for  
26 the High Impact Business Investment Credit. To  
27 determine the portion of a loan or loans that is  
28 secured by property eligible for a Section 201(h)  
29 investment credit to the borrower, the entire  
30 principal amount of the loan or loans between the  
31 taxpayer and the borrower should be divided into the  
32 basis of the Section 201(h) investment credit  
33 property which secures the loan or loans, using for  
34 this purpose the original basis of such property on

1 the date that it was placed in service in a  
2 federally designated Foreign Trade Zone or Sub-Zone  
3 located in Illinois. No taxpayer that is eligible  
4 for the deduction provided in subparagraph (M) of  
5 paragraph (2) of this subsection shall be eligible  
6 for the deduction provided under this subparagraph  
7 (M-1). The subtraction modification available to  
8 taxpayers in any year under this subsection shall be  
9 that portion of the total interest paid by the  
10 borrower with respect to such loan attributable to  
11 the eligible property as calculated under the  
12 previous sentence;

13 (N) Two times any contribution made during the  
14 taxable year to a designated zone organization to  
15 the extent that the contribution (i) qualifies as a  
16 charitable contribution under subsection (c) of  
17 Section 170 of the Internal Revenue Code and (ii)  
18 must, by its terms, be used for a project approved  
19 by the Department of Commerce and Economic  
20 Opportunity Community--Affairs under Section 11 of  
21 the Illinois Enterprise Zone Act;

22 (O) An amount equal to: (i) 85% for taxable  
23 years ending on or before December 31, 1992, or, a  
24 percentage equal to the percentage allowable under  
25 Section 243(a)(1) of the Internal Revenue Code of  
26 1986 for taxable years ending after December 31,  
27 1992, of the amount by which dividends included in  
28 taxable income and received from a corporation that  
29 is not created or organized under the laws of the  
30 United States or any state or political subdivision  
31 thereof, including, for taxable years ending on or  
32 after December 31, 1988, dividends received or  
33 deemed received or paid or deemed paid under  
34 Sections 951 through 964 of the Internal Revenue

1 Code, exceed the amount of the modification provided  
2 under subparagraph (G) of paragraph (2) of this  
3 subsection (b) which is related to such dividends;  
4 plus (ii) 100% of the amount by which dividends,  
5 included in taxable income and received, including,  
6 for taxable years ending on or after December 31,  
7 1988, dividends received or deemed received or paid  
8 or deemed paid under Sections 951 through 964 of the  
9 Internal Revenue Code, from any such corporation  
10 specified in clause (i) that would but for the  
11 provisions of Section 1504 (b) (3) of the Internal  
12 Revenue Code be treated as a member of the  
13 affiliated group which includes the dividend  
14 recipient, exceed the amount of the modification  
15 provided under subparagraph (G) of paragraph (2) of  
16 this subsection (b) which is related to such  
17 dividends;

18 (P) An amount equal to any contribution made  
19 to a job training project established pursuant to  
20 the Tax Increment Allocation Redevelopment Act;

21 (Q) An amount equal to the amount of the  
22 deduction used to compute the federal income tax  
23 credit for restoration of substantial amounts held  
24 under claim of right for the taxable year pursuant  
25 to Section 1341 of the Internal Revenue Code of  
26 1986;

27 (R) In the case of an attorney-in-fact with  
28 respect to whom an interinsurer or a reciprocal  
29 insurer has made the election under Section 835 of  
30 the Internal Revenue Code, 26 U.S.C. 835, an amount  
31 equal to the excess, if any, of the amounts paid or  
32 incurred by that interinsurer or reciprocal insurer  
33 in the taxable year to the attorney-in-fact over the  
34 deduction allowed to that interinsurer or reciprocal

1 insurer with respect to the attorney-in-fact under  
2 Section 835(b) of the Internal Revenue Code for the  
3 taxable year;

4 (S) For taxable years ending on or after  
5 December 31, 1997, in the case of a Subchapter S  
6 corporation, an amount equal to all amounts of  
7 income allocable to a shareholder subject to the  
8 Personal Property Tax Replacement Income Tax imposed  
9 by subsections (c) and (d) of Section 201 of this  
10 Act, including amounts allocable to organizations  
11 exempt from federal income tax by reason of Section  
12 501(a) of the Internal Revenue Code. This  
13 subparagraph (S) is exempt from the provisions of  
14 Section 250;

15 (T) For each taxable~~---years---~~2001~~---~~and  
16 thereafter~~7-fer-~~ the taxable year ending prior to  
17 December 31, 2003 in which the bonus depreciation  
18 deduction (30% or 50% of the adjusted basis of the  
19 qualified property) is taken on the taxpayer's  
20 federal income tax return under subsection (k) of  
21 Section 168 of the Internal Revenue Code and for  
22 each subsequent ~~applicable~~ taxable year ending prior  
23 to December 31, 2003 thereafter, an amount equal to  
24 "x", where:

25 (1) "y" equals the amount of the  
26 depreciation deduction taken for the taxable  
27 year on the taxpayer's federal income tax  
28 return on property for which the bonus  
29 depreciation deduction (30% or 50% of the  
30 adjusted basis of the qualified property) was  
31 taken in any year under subsection (k) of  
32 Section 168 of the Internal Revenue Code, but  
33 not including the bonus depreciation deduction;  
34 and

1                   (2) for property on which a bonus  
2                   depreciation deduction of 30% of the adjusted  
3                   basis was taken, "x" equals "y" multiplied by  
4                   30 and then divided by 70 (or "y" multiplied by  
5                   0.429) and, for property on which a bonus  
6                   depreciation deduction of 50% of the adjusted  
7                   basis was taken, "x" equals "y" multiplied by  
8                   1.0.

9                   The aggregate amount deducted under this  
10                  subparagraph in all taxable years for any one piece  
11                  of property may not exceed the amount of the bonus  
12                  depreciation deduction (30% or 50% of the adjusted  
13                  basis of the qualified property) taken on that  
14                  property on the taxpayer's federal income tax return  
15                  under subsection (k) of Section 168 of the Internal  
16                  Revenue Code;

17                  (T-1) For taxable years ending on or after  
18                  December 31, 2003, an amount equal to the excess, if  
19                  any, of the federal taxable income properly  
20                  reportable by the taxpayer for the taxable year,  
21                  plus any addition required to be made under  
22                  subparagraph (E-10) for the taxable year, over the  
23                  taxable income that would have been reportable by  
24                  the taxpayer if the taxpayer:

25                   (1) had made the election in subsection  
26                   (k)(2)(C)(iii) of Section 168 of the Internal  
27                   Revenue Code for all property qualifying for  
28                   bonus depreciation (30% or 50% of the adjusted  
29                   basis of the qualifying property) for all  
30                   taxable years; and

31                   (2) had made no election under Section  
32                   179(a) of the Internal Revenue Code for any  
33                   taxable year ending on or after December 31,  
34                   2003 to treat the cost of any property as an

1           expense.

2           This subparagraph (T-1) is exempt from the  
3           provisions of Section 250; and

4           (U) If the taxpayer reports a capital gain or  
5           loss on the taxpayer's federal income tax return for  
6           the taxable year based on a sale or transfer of  
7           property for which the taxpayer was required in any  
8           taxable year to make an addition modification under  
9           subparagraph (E-10), then an amount equal to that  
10          addition modification.

11          The taxpayer is allowed to take the deduction  
12          under this subparagraph only once with respect to  
13          any one piece of property.

14          (3) Special rule. For purposes of paragraph (2)  
15          (A), "gross income" in the case of a life insurance  
16          company, for tax years ending on and after December 31,  
17          1994, shall mean the gross investment income for the  
18          taxable year.

19          (c) Trusts and estates.

20          (1) In general. In the case of a trust or estate,  
21          base income means an amount equal to the taxpayer's  
22          taxable income for the taxable year as modified by  
23          paragraph (2).

24          (2) Modifications. Subject to the provisions of  
25          paragraph (3), the taxable income referred to in  
26          paragraph (1) shall be modified by adding thereto the sum  
27          of the following amounts:

28          (A) An amount equal to all amounts paid or  
29          accrued to the taxpayer as interest or dividends  
30          during the taxable year to the extent excluded from  
31          gross income in the computation of taxable income;

32          (B) In the case of (i) an estate, \$600; (ii) a  
33          trust which, under its governing instrument, is  
34          required to distribute all of its income currently,

1 \$300; and (iii) any other trust, \$100, but in each  
2 such case, only to the extent such amount was  
3 deducted in the computation of taxable income;

4 (C) An amount equal to the amount of tax  
5 imposed by this Act to the extent deducted from  
6 gross income in the computation of taxable income  
7 for the taxable year;

8 (D) The amount of any net operating loss  
9 deduction taken in arriving at taxable income, other  
10 than a net operating loss carried forward from a  
11 taxable year ending prior to December 31, 1986;

12 (E) For taxable years in which a net operating  
13 loss carryback or carryforward from a taxable year  
14 ending prior to December 31, 1986 is an element of  
15 taxable income under paragraph (1) of subsection (e)  
16 or subparagraph (E) of paragraph (2) of subsection  
17 (e), the amount by which addition modifications  
18 other than those provided by this subparagraph (E)  
19 exceeded subtraction modifications in such taxable  
20 year, with the following limitations applied in the  
21 order that they are listed:

22 (i) the addition modification relating to  
23 the net operating loss carried back or forward  
24 to the taxable year from any taxable year  
25 ending prior to December 31, 1986 shall be  
26 reduced by the amount of addition modification  
27 under this subparagraph (E) which related to  
28 that net operating loss and which was taken  
29 into account in calculating the base income of  
30 an earlier taxable year, and

31 (ii) the addition modification relating  
32 to the net operating loss carried back or  
33 forward to the taxable year from any taxable  
34 year ending prior to December 31, 1986 shall

1 not exceed the amount of such carryback or  
2 carryforward;

3 For taxable years in which there is a net  
4 operating loss carryback or carryforward from more  
5 than one other taxable year ending prior to December  
6 31, 1986, the addition modification provided in this  
7 subparagraph (E) shall be the sum of the amounts  
8 computed independently under the preceding  
9 provisions of this subparagraph (E) for each such  
10 taxable year;

11 (F) For taxable years ending on or after  
12 January 1, 1989, an amount equal to the tax deducted  
13 pursuant to Section 164 of the Internal Revenue Code  
14 if the trust or estate is claiming the same tax for  
15 purposes of the Illinois foreign tax credit under  
16 Section 601 of this Act;

17 (G) An amount equal to the amount of the  
18 capital gain deduction allowable under the Internal  
19 Revenue Code, to the extent deducted from gross  
20 income in the computation of taxable income;

21 (G-5) For taxable years ending after December  
22 31, 1997, an amount equal to any eligible  
23 remediation costs that the trust or estate deducted  
24 in computing adjusted gross income and for which the  
25 trust or estate claims a credit under subsection (l)  
26 of Section 201;

27 (G-10) For taxable years ending after December  
28 31, 2000 ~~2001-and-thereafter~~, an amount equal to the  
29 bonus depreciation deduction (30% or 50% of the  
30 adjusted basis of the qualified property) taken on  
31 the taxpayer's federal income tax return for the  
32 taxable year under subsection (k) of Section 168 of  
33 the Internal Revenue Code with respect to any  
34 property and, for taxable years ending on or after

1 December 31, 2003, an amount equal to any deduction  
2 taken for the taxable year under Section 179 of the  
3 Internal Revenue Code with respect to any property;  
4 and

5 (G-11) If the taxpayer reports a capital gain  
6 or loss on the taxpayer's federal income tax return  
7 for the taxable year based on a sale or transfer of  
8 property for which the taxpayer was required in any  
9 taxable year to make an addition modification under  
10 subparagraph (G-10), then an amount equal to the  
11 aggregate amount of the deductions taken in all  
12 taxable years under subparagraph (R) or (R-1) with  
13 respect to that property.;

14 The taxpayer is required to make the addition  
15 modification under this subparagraph only once with  
16 respect to any one piece of property;

17 and by deducting from the total so obtained the sum of  
18 the following amounts:

19 (H) An amount equal to all amounts included in  
20 such total pursuant to the provisions of Sections  
21 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and  
22 408 of the Internal Revenue Code or included in such  
23 total as distributions under the provisions of any  
24 retirement or disability plan for employees of any  
25 governmental agency or unit, or retirement payments  
26 to retired partners, which payments are excluded in  
27 computing net earnings from self employment by  
28 Section 1402 of the Internal Revenue Code and  
29 regulations adopted pursuant thereto;

30 (I) The valuation limitation amount;

31 (J) An amount equal to the amount of any tax  
32 imposed by this Act which was refunded to the  
33 taxpayer and included in such total for the taxable  
34 year;

1           (K) An amount equal to all amounts included in  
2 taxable income as modified by subparagraphs (A),  
3 (B), (C), (D), (E), (F) and (G) which are exempt  
4 from taxation by this State either by reason of its  
5 statutes or Constitution or by reason of the  
6 Constitution, treaties or statutes of the United  
7 States; provided that, in the case of any statute of  
8 this State that exempts income derived from bonds or  
9 other obligations from the tax imposed under this  
10 Act, the amount exempted shall be the interest net  
11 of bond premium amortization;

12           (L) With the exception of any amounts  
13 subtracted under subparagraph (K), an amount equal  
14 to the sum of all amounts disallowed as deductions  
15 by (i) Sections 171(a) (2) and 265(a)(2) of the  
16 Internal Revenue Code, as now or hereafter amended,  
17 and all amounts of expenses allocable to interest  
18 and disallowed as deductions by Section 265(1) of  
19 the Internal Revenue Code of 1954, as now or  
20 hereafter amended; and (ii) for taxable years ending  
21 on or after August 13, 1999, Sections 171(a)(2),  
22 265, 280C, and 832(b)(5)(B)(i) of the Internal  
23 Revenue Code; the provisions of this subparagraph  
24 are exempt from the provisions of Section 250;

25           (M) An amount equal to those dividends  
26 included in such total which were paid by a  
27 corporation which conducts business operations in an  
28 Enterprise Zone or zones created under the Illinois  
29 Enterprise Zone Act and conducts substantially all  
30 of its operations in an Enterprise Zone or Zones;

31           (N) An amount equal to any contribution made  
32 to a job training project established pursuant to  
33 the Tax Increment Allocation Redevelopment Act;

34           (O) An amount equal to those dividends

1 included in such total that were paid by a  
2 corporation that conducts business operations in a  
3 federally designated Foreign Trade Zone or Sub-Zone  
4 and that is designated a High Impact Business  
5 located in Illinois; provided that dividends  
6 eligible for the deduction provided in subparagraph  
7 (M) of paragraph (2) of this subsection shall not be  
8 eligible for the deduction provided under this  
9 subparagraph (O);

10 (P) An amount equal to the amount of the  
11 deduction used to compute the federal income tax  
12 credit for restoration of substantial amounts held  
13 under claim of right for the taxable year pursuant  
14 to Section 1341 of the Internal Revenue Code of  
15 1986;

16 (Q) For taxable year 1999 and thereafter, an  
17 amount equal to the amount of any (i) distributions,  
18 to the extent includible in gross income for federal  
19 income tax purposes, made to the taxpayer because of  
20 his or her status as a victim of persecution for  
21 racial or religious reasons by Nazi Germany or any  
22 other Axis regime or as an heir of the victim and  
23 (ii) items of income, to the extent includible in  
24 gross income for federal income tax purposes,  
25 attributable to, derived from or in any way related  
26 to assets stolen from, hidden from, or otherwise  
27 lost to a victim of persecution for racial or  
28 religious reasons by Nazi Germany or any other Axis  
29 regime immediately prior to, during, and immediately  
30 after World War II, including, but not limited to,  
31 interest on the proceeds receivable as insurance  
32 under policies issued to a victim of persecution for  
33 racial or religious reasons by Nazi Germany or any  
34 other Axis regime by European insurance companies

1 immediately prior to and during World War II;  
2 provided, however, this subtraction from federal  
3 adjusted gross income does not apply to assets  
4 acquired with such assets or with the proceeds from  
5 the sale of such assets; provided, further, this  
6 paragraph shall only apply to a taxpayer who was the  
7 first recipient of such assets after their recovery  
8 and who is a victim of persecution for racial or  
9 religious reasons by Nazi Germany or any other Axis  
10 regime or as an heir of the victim. The amount of  
11 and the eligibility for any public assistance,  
12 benefit, or similar entitlement is not affected by  
13 the inclusion of items (i) and (ii) of this  
14 paragraph in gross income for federal income tax  
15 purposes. This paragraph is exempt from the  
16 provisions of Section 250;

17 (R) For each taxable~~---years---~~2001~~---and~~  
18 ~~thereafter~~~~7-fer-the~~ taxable year ending prior to  
19 December 31, 2003 in which the bonus depreciation  
20 deduction (30% or 50% of the adjusted basis of the  
21 qualified property) is taken on the taxpayer's  
22 federal income tax return under subsection (k) of  
23 Section 168 of the Internal Revenue Code and for  
24 each subsequent ~~applicable~~ taxable year ending prior  
25 to December 31, 2003 thereafter, an amount equal to  
26 "x", where:

27 (1) "y" equals the amount of the  
28 depreciation deduction taken for the taxable  
29 year on the taxpayer's federal income tax  
30 return on property for which the bonus  
31 depreciation deduction (30% or 50% of the  
32 adjusted basis of the qualified property) was  
33 taken in any year under subsection (k) of  
34 Section 168 of the Internal Revenue Code, but

1 not including the bonus depreciation deduction;  
2 and

3 (2) for property on which a bonus  
4 depreciation deduction of 30% of the adjusted  
5 basis was taken, "x" equals "y" multiplied by  
6 30 and then divided by 70 (or "y" multiplied by  
7 0.429) and, for property on which a bonus  
8 depreciation deduction of 50% of the adjusted  
9 basis was taken, "x" equals "y" multiplied by  
10 1.0.

11 The aggregate amount deducted under this  
12 subparagraph in all taxable years for any one piece  
13 of property may not exceed the amount of the bonus  
14 depreciation deduction (30% or 50% of the adjusted  
15 basis of the qualified property) taken on that  
16 property on the taxpayer's federal income tax return  
17 under subsection (k) of Section 168 of the Internal  
18 Revenue Code;

19 (R-1) For taxable years ending on or after  
20 December 31, 2003, an amount equal to the excess, if  
21 any, of the federal taxable income properly  
22 reportable by the taxpayer for the taxable year,  
23 plus any addition required to be made under  
24 subparagraph (G-10) for the taxable year, over the  
25 taxable income that would have been reportable by  
26 the taxpayer if the taxpayer:

27 (1) had made the election in subsection  
28 (k)(2)(C)(iii) of Section 168 of the Internal  
29 Revenue Code for all property qualifying for  
30 bonus depreciation (30% or 50% of the adjusted  
31 basis of the qualifying property) for all  
32 taxable years; and

33 (2) had made no election under Section  
34 179(a) of the Internal Revenue Code for any

1 taxable year ending on or after December 31,  
2 2003 to treat the cost of any property as an  
3 expense.

4 This subparagraph (R-1) is exempt from the  
5 provisions of Section 250; and

6 (S) If the taxpayer reports a capital gain or  
7 loss on the taxpayer's federal income tax return for  
8 the taxable year based on a sale or transfer of  
9 property for which the taxpayer was required in any  
10 taxable year to make an addition modification under  
11 subparagraph (G-10), then an amount equal to that  
12 addition modification.

13 The taxpayer is allowed to take the deduction  
14 under this subparagraph only once with respect to  
15 any one piece of property.

16 (3) Limitation. The amount of any modification  
17 otherwise required under this subsection shall, under  
18 regulations prescribed by the Department, be adjusted by  
19 any amounts included therein which were properly paid,  
20 credited, or required to be distributed, or permanently  
21 set aside for charitable purposes pursuant to Internal  
22 Revenue Code Section 642(c) during the taxable year.

23 (d) Partnerships.

24 (1) In general. In the case of a partnership, base  
25 income means an amount equal to the taxpayer's taxable  
26 income for the taxable year as modified by paragraph (2).

27 (2) Modifications. The taxable income referred to  
28 in paragraph (1) shall be modified by adding thereto the  
29 sum of the following amounts:

30 (A) An amount equal to all amounts paid or  
31 accrued to the taxpayer as interest or dividends  
32 during the taxable year to the extent excluded from  
33 gross income in the computation of taxable income;

34 (B) An amount equal to the amount of tax

1 imposed by this Act to the extent deducted from  
2 gross income for the taxable year;

3 (C) The amount of deductions allowed to the  
4 partnership pursuant to Section 707 (c) of the  
5 Internal Revenue Code in calculating its taxable  
6 income;

7 (D) An amount equal to the amount of the  
8 capital gain deduction allowable under the Internal  
9 Revenue Code, to the extent deducted from gross  
10 income in the computation of taxable income;

11 (D-5) For taxable years ending after December  
12 31, 2000 ~~2001-and-thereafter~~, an amount equal to the  
13 bonus depreciation deduction (30% or 50% of the  
14 adjusted basis of the qualified property) taken on  
15 the taxpayer's federal income tax return for the  
16 taxable year under subsection (k) of Section 168 of  
17 the Internal Revenue Code with respect to any  
18 property and, for taxable years ending on or after  
19 December 31, 2003, an amount equal to any deduction  
20 taken for the taxable year under Section 179 of the  
21 Internal Revenue Code with respect to any property;  
22 and

23 (D-6) If the taxpayer reports a capital gain  
24 or loss on the taxpayer's federal income tax return  
25 for the taxable year based on a sale or transfer of  
26 property for which the taxpayer was required in any  
27 taxable year to make an addition modification under  
28 subparagraph (D-5), then an amount equal to the  
29 aggregate amount of the deductions taken in all  
30 taxable years under subparagraph (O) or (O-1) with  
31 respect to that property.;

32 The taxpayer is required to make the addition  
33 modification under this subparagraph only once with  
34 respect to any one piece of property;

1 and by deducting from the total so obtained the following  
2 amounts:

3 (E) The valuation limitation amount;

4 (F) An amount equal to the amount of any tax  
5 imposed by this Act which was refunded to the  
6 taxpayer and included in such total for the taxable  
7 year;

8 (G) An amount equal to all amounts included in  
9 taxable income as modified by subparagraphs (A),  
10 (B), (C) and (D) which are exempt from taxation by  
11 this State either by reason of its statutes or  
12 Constitution or by reason of the Constitution,  
13 treaties or statutes of the United States; provided  
14 that, in the case of any statute of this State that  
15 exempts income derived from bonds or other  
16 obligations from the tax imposed under this Act, the  
17 amount exempted shall be the interest net of bond  
18 premium amortization;

19 (H) Any income of the partnership which  
20 constitutes personal service income as defined in  
21 Section 1348 (b) (1) of the Internal Revenue Code  
22 (as in effect December 31, 1981) or a reasonable  
23 allowance for compensation paid or accrued for  
24 services rendered by partners to the partnership,  
25 whichever is greater;

26 (I) An amount equal to all amounts of income  
27 distributable to an entity subject to the Personal  
28 Property Tax Replacement Income Tax imposed by  
29 subsections (c) and (d) of Section 201 of this Act  
30 including amounts distributable to organizations  
31 exempt from federal income tax by reason of Section  
32 501(a) of the Internal Revenue Code;

33 (J) With the exception of any amounts  
34 subtracted under subparagraph (G), an amount equal

1 to the sum of all amounts disallowed as deductions  
2 by (i) Sections 171(a) (2), and 265(2) of the  
3 Internal Revenue Code of 1954, as now or hereafter  
4 amended, and all amounts of expenses allocable to  
5 interest and disallowed as deductions by Section  
6 265(1) of the Internal Revenue Code, as now or  
7 hereafter amended; and (ii) for taxable years ending  
8 on or after August 13, 1999, Sections 171(a)(2),  
9 265, 280C, and 832(b)(5)(B)(i) of the Internal  
10 Revenue Code; the provisions of this subparagraph  
11 are exempt from the provisions of Section 250;

12 (K) An amount equal to those dividends  
13 included in such total which were paid by a  
14 corporation which conducts business operations in an  
15 Enterprise Zone or zones created under the Illinois  
16 Enterprise Zone Act, enacted by the 82nd General  
17 Assembly, and conducts substantially all of its  
18 operations in an Enterprise Zone or Zones;

19 (L) An amount equal to any contribution made  
20 to a job training project established pursuant to  
21 the Real Property Tax Increment Allocation  
22 Redevelopment Act;

23 (M) An amount equal to those dividends  
24 included in such total that were paid by a  
25 corporation that conducts business operations in a  
26 federally designated Foreign Trade Zone or Sub-Zone  
27 and that is designated a High Impact Business  
28 located in Illinois; provided that dividends  
29 eligible for the deduction provided in subparagraph  
30 (K) of paragraph (2) of this subsection shall not be  
31 eligible for the deduction provided under this  
32 subparagraph (M);

33 (N) An amount equal to the amount of the  
34 deduction used to compute the federal income tax

1 credit for restoration of substantial amounts held  
 2 under claim of right for the taxable year pursuant  
 3 to Section 1341 of the Internal Revenue Code of  
 4 1986;

5 (0) For each taxable~~---years---~~2001~~---~~ and  
 6 ~~thereafter,~~ for the taxable year ending prior to  
 7 December 31, 2003 in which the bonus depreciation  
 8 deduction (30% or 50% of the adjusted basis of the  
 9 qualified property) is taken on the taxpayer's  
 10 federal income tax return under subsection (k) of  
 11 Section 168 of the Internal Revenue Code and for  
 12 each subsequent applicable taxable year ending prior  
 13 to December 31, 2003 thereafter, an amount equal to  
 14 "x", where:

15 (1) "y" equals the amount of the  
 16 depreciation deduction taken for the taxable  
 17 year on the taxpayer's federal income tax  
 18 return on property for which the bonus  
 19 depreciation deduction (30% or 50% of the  
 20 adjusted basis of the qualified property) was  
 21 taken in any year under subsection (k) of  
 22 Section 168 of the Internal Revenue Code, but  
 23 not including the bonus depreciation deduction;  
 24 and

25 (2) for property on which a bonus  
 26 depreciation deduction of 30% of the adjusted  
 27 basis was taken, "x" equals "y" multiplied by  
 28 30 and then divided by 70 (or "y" multiplied by  
 29 0.429) and, for property on which a bonus  
 30 depreciation deduction of 50% of the adjusted  
 31 basis was taken, "x" equals "y" multiplied by  
 32 1.0.

33 The aggregate amount deducted under this  
 34 subparagraph in all taxable years for any one piece

1 of property may not exceed the amount of the bonus  
2 depreciation deduction (30% or 50% of the adjusted  
3 basis of the qualified property) taken on that  
4 property on the taxpayer's federal income tax return  
5 under subsection (k) of Section 168 of the Internal  
6 Revenue Code;

7 (O-1) For taxable years ending on or after  
8 December 31, 2003, an amount equal to the excess, if  
9 any, of the federal taxable income properly  
10 reportable by the taxpayer for the taxable year,  
11 plus any addition required to be made under  
12 subparagraph (D-5) for the taxable year, over the  
13 taxable income that would have been reportable by  
14 the taxpayer if the taxpayer:

15 (1) had made the election in subsection  
16 (k)(2)(C)(iii) of Section 168 of the Internal  
17 Revenue Code for all property qualifying for  
18 bonus depreciation (30% or 50% of the adjusted  
19 basis of the qualifying property) for all  
20 taxable years; and

21 (2) had made no election under Section  
22 179(a) of the Internal Revenue Code for any  
23 taxable year ending on or after December 31,  
24 2003 to treat the cost of any property as an  
25 expense.

26 This subparagraph (O-1) is exempt from the  
27 provisions of Section 250; and

28 (P) If the taxpayer reports a capital gain or  
29 loss on the taxpayer's federal income tax return for  
30 the taxable year based on a sale or transfer of  
31 property for which the taxpayer was required in any  
32 taxable year to make an addition modification under  
33 subparagraph (D-5), then an amount equal to that  
34 addition modification.

1           The taxpayer is allowed to take the deduction  
2           under this subparagraph only once with respect to  
3           any one piece of property.

4           (e) Gross income; adjusted gross income; taxable income.

5           (1) In general. Subject to the provisions of  
6           paragraph (2) and subsection (b) (3), for purposes of  
7           this Section and Section 803(e), a taxpayer's gross  
8           income, adjusted gross income, or taxable income for the  
9           taxable year shall mean the amount of gross income,  
10          adjusted gross income or taxable income properly  
11          reportable for federal income tax purposes for the  
12          taxable year under the provisions of the Internal Revenue  
13          Code. Taxable income may be less than zero. However, for  
14          taxable years ending on or after December 31, 1986, net  
15          operating loss carryforwards from taxable years ending  
16          prior to December 31, 1986, may not exceed the sum of  
17          federal taxable income for the taxable year before net  
18          operating loss deduction, plus the excess of addition  
19          modifications over subtraction modifications for the  
20          taxable year. For taxable years ending prior to December  
21          31, 1986, taxable income may never be an amount in excess  
22          of the net operating loss for the taxable year as defined  
23          in subsections (c) and (d) of Section 172 of the Internal  
24          Revenue Code, provided that when taxable income of a  
25          corporation (other than a Subchapter S corporation),  
26          trust, or estate is less than zero and addition  
27          modifications, other than those provided by subparagraph  
28          (E) of paragraph (2) of subsection (b) for corporations  
29          or subparagraph (E) of paragraph (2) of subsection (c)  
30          for trusts and estates, exceed subtraction modifications,  
31          an addition modification must be made under those  
32          subparagraphs for any other taxable year to which the  
33          taxable income less than zero (net operating loss) is  
34          applied under Section 172 of the Internal Revenue Code or

1 under subparagraph (E) of paragraph (2) of this  
2 subsection (e) applied in conjunction with Section 172 of  
3 the Internal Revenue Code.

4 (2) Special rule. For purposes of paragraph (1) of  
5 this subsection, the taxable income properly reportable  
6 for federal income tax purposes shall mean:

7 (A) Certain life insurance companies. In the  
8 case of a life insurance company subject to the tax  
9 imposed by Section 801 of the Internal Revenue Code,  
10 life insurance company taxable income, plus the  
11 amount of distribution from pre-1984 policyholder  
12 surplus accounts as calculated under Section 815a of  
13 the Internal Revenue Code;

14 (B) Certain other insurance companies. In the  
15 case of mutual insurance companies subject to the  
16 tax imposed by Section 831 of the Internal Revenue  
17 Code, insurance company taxable income;

18 (C) Regulated investment companies. In the  
19 case of a regulated investment company subject to  
20 the tax imposed by Section 852 of the Internal  
21 Revenue Code, investment company taxable income;

22 (D) Real estate investment trusts. In the  
23 case of a real estate investment trust subject to  
24 the tax imposed by Section 857 of the Internal  
25 Revenue Code, real estate investment trust taxable  
26 income;

27 (E) Consolidated corporations. In the case of  
28 a corporation which is a member of an affiliated  
29 group of corporations filing a consolidated income  
30 tax return for the taxable year for federal income  
31 tax purposes, taxable income determined as if such  
32 corporation had filed a separate return for federal  
33 income tax purposes for the taxable year and each  
34 preceding taxable year for which it was a member of

1 an affiliated group. For purposes of this  
2 subparagraph, the taxpayer's separate taxable income  
3 shall be determined as if the election provided by  
4 Section 243(b) (2) of the Internal Revenue Code had  
5 been in effect for all such years;

6 (F) Cooperatives. In the case of a  
7 cooperative corporation or association, the taxable  
8 income of such organization determined in accordance  
9 with the provisions of Section 1381 through 1388 of  
10 the Internal Revenue Code;

11 (G) Subchapter S corporations. In the case  
12 of: (i) a Subchapter S corporation for which there  
13 is in effect an election for the taxable year under  
14 Section 1362 of the Internal Revenue Code, the  
15 taxable income of such corporation determined in  
16 accordance with Section 1363(b) of the Internal  
17 Revenue Code, except that taxable income shall take  
18 into account those items which are required by  
19 Section 1363(b)(1) of the Internal Revenue Code to  
20 be separately stated; and (ii) a Subchapter S  
21 corporation for which there is in effect a federal  
22 election to opt out of the provisions of the  
23 Subchapter S Revision Act of 1982 and have applied  
24 instead the prior federal Subchapter S rules as in  
25 effect on July 1, 1982, the taxable income of such  
26 corporation determined in accordance with the  
27 federal Subchapter S rules as in effect on July 1,  
28 1982; and

29 (H) Partnerships. In the case of a  
30 partnership, taxable income determined in accordance  
31 with Section 703 of the Internal Revenue Code,  
32 except that taxable income shall take into account  
33 those items which are required by Section 703(a)(1)  
34 to be separately stated but which would be taken

1 into account by an individual in calculating his  
2 taxable income.

3 (f) Valuation limitation amount.

4 (1) In general. The valuation limitation amount  
5 referred to in subsections (a) (2) (G), (c) (2) (I) and  
6 (d)(2) (E) is an amount equal to:

7 (A) The sum of the pre-August 1, 1969  
8 appreciation amounts (to the extent consisting of  
9 gain reportable under the provisions of Section 1245  
10 or 1250 of the Internal Revenue Code) for all  
11 property in respect of which such gain was reported  
12 for the taxable year; plus

13 (B) The lesser of (i) the sum of the  
14 pre-August 1, 1969 appreciation amounts (to the  
15 extent consisting of capital gain) for all property  
16 in respect of which such gain was reported for  
17 federal income tax purposes for the taxable year, or  
18 (ii) the net capital gain for the taxable year,  
19 reduced in either case by any amount of such gain  
20 included in the amount determined under subsection  
21 (a) (2) (F) or (c) (2) (H).

22 (2) Pre-August 1, 1969 appreciation amount.

23 (A) If the fair market value of property  
24 referred to in paragraph (1) was readily  
25 ascertainable on August 1, 1969, the pre-August 1,  
26 1969 appreciation amount for such property is the  
27 lesser of (i) the excess of such fair market value  
28 over the taxpayer's basis (for determining gain) for  
29 such property on that date (determined under the  
30 Internal Revenue Code as in effect on that date), or  
31 (ii) the total gain realized and reportable for  
32 federal income tax purposes in respect of the sale,  
33 exchange or other disposition of such property.

34 (B) If the fair market value of property

1 referred to in paragraph (1) was not readily  
2 ascertainable on August 1, 1969, the pre-August 1,  
3 1969 appreciation amount for such property is that  
4 amount which bears the same ratio to the total gain  
5 reported in respect of the property for federal  
6 income tax purposes for the taxable year, as the  
7 number of full calendar months in that part of the  
8 taxpayer's holding period for the property ending  
9 July 31, 1969 bears to the number of full calendar  
10 months in the taxpayer's entire holding period for  
11 the property.

12 (C) The Department shall prescribe such  
13 regulations as may be necessary to carry out the  
14 purposes of this paragraph.

15 (g) Double deductions. Unless specifically provided  
16 otherwise, nothing in this Section shall permit the same item  
17 to be deducted more than once.

18 (h) Legislative intention. Except as expressly provided  
19 by this Section there shall be no modifications or  
20 limitations on the amounts of income, gain, loss or deduction  
21 taken into account in determining gross income, adjusted  
22 gross income or taxable income for federal income tax  
23 purposes for the taxable year, or in the amount of such items  
24 entering into the computation of base income and net income  
25 under this Act for such taxable year, whether in respect of  
26 property values as of August 1, 1969 or otherwise.

27 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;  
28 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.  
29 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,  
30 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;  
31 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.  
32 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)

1           Section 99. Effective date. This Act takes effect upon  
2    becoming law.".